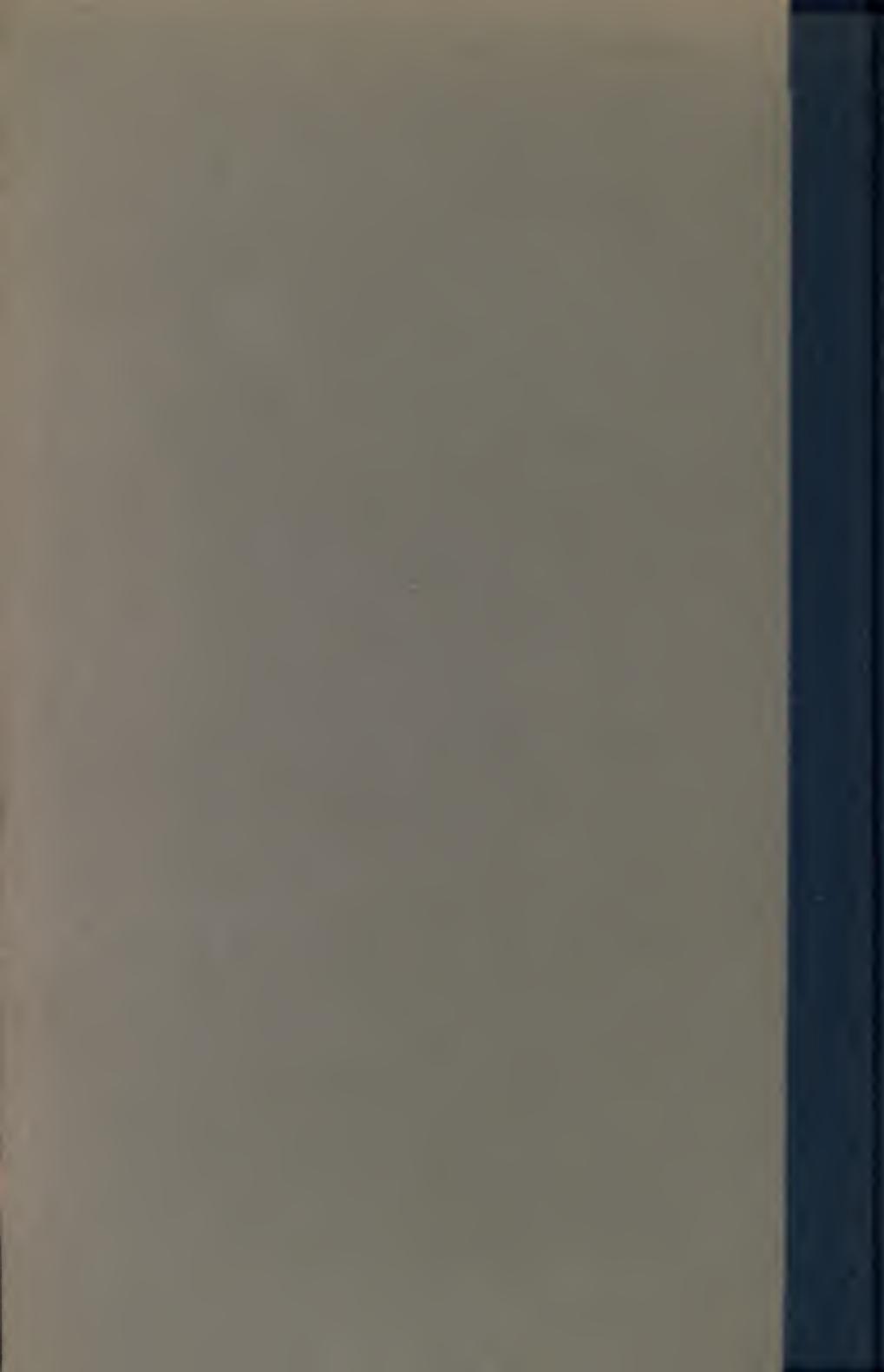


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Notes on bi-metallic
currency and the International
Conference

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THE DOLAR
AS A METALLIC CURRENCY
IN
INTERNATIONAL TRADE.

BY
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OF THE UNIVERSITY OF TORONTO.
WITH AN APPENDIX
BY
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AND A BIBLIOGRAPHY
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NOTES
ON
BI-METALLIC CURRENCY
AND THE
INTERNATIONAL CONFERENCE,

BY

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G L O S S A R Y.

STANDARD GOLD. **STANDARD SILVER.** **The MIXED METALS**, of which the Coins of a country are made, and of which the proportions are fixed by Law, of Pure Gold or of Pure Silver and Alloy.

CURRENCY. **MONEY.** Paper, or Coin used generally for buying or selling.

LEGAL TENDER CURRENCY. **MONEY.** Paper or Coin, which by Law, a Debtor *must* tender, and a Creditor *must* accept in payment.

FORCED OR IRREDEEMABLE PAPER CURRENCY. Paper Money which is legal tender Currency issued to represent the Gold and Silver Money of a Country, but which cannot anywhere on demand be exchanged for Gold or Silver of its nominal value.

DEBASED CURRENCY, OR TOKEN MONEY. Coins representing Coins or parts of Coins of Standard Metal; but which are less in value than pieces of the Metal of the same weight of which they are made.



I HAVE ventured to put together a few remarks on the subject of "Bi-metallic Currency," &c., which I hope may be found interesting.

What appears to be aimed at by the promoters of the Conference is a "Bi-metallic Currency" of gold and silver coins, both of which shall be "legal tender" for all amounts at the option of the debtor.

It must be borne in mind that the currency of one country is only bullion in any other; except by special agreement, as in the case of the "Latin league"; by which French, Belgian, and Swiss "Francs," Italian "Lira," and Greek "Drachma," are supposed to be equally current in all or either of the countries named.

Standard gold and standard silver vary as to fineness or purity in different countries. In one country the standard metal contains more pure metal, in another less to the same weight of metal.

In England standard silver contains 111 parts of fine silver and 9 of alloy; in India 110 parts of fine silver and 10 of alloy. The Mexican Dollar is not equal in fineness to even the Indian Rupee.

Standard gold in England and in India both consist of 110 parts of fine gold and 10 parts of alloy.

If the standard metal in any two countries be of the same degree of fineness, it is so accidentally.

The first step towards the introduction of a "Bi-metallic currency" for all countries, must be the institution of a uniform standard of fineness for gold and silver: and subsequently, *if possible*, the relative value of gold to silver must be permanently agreed to.

At present, as shown by the quotations in the Newspapers, the relative value of gold to silver alters daily. One day, 1 lb. troy of silver is stated to be what is equivalent to $\frac{1}{2}$ of a sovereign; another day to $\frac{1}{2}\frac{1}{2}$; a third day to $\frac{1}{2}\frac{1}{4}$; and it has in the last twenty years varied from $\frac{1}{2}\frac{1}{2}$ to $\frac{1}{2}\frac{1}{4}$ of a sovereign.

Gold and silver are extensively used for other purposes than for being made into money, and in relation to each other are liable to similar fluctuations in their relative value, according to the supply (from mines or elsewhere) and the demand (for coinage or other purposes), just as are the relative values of gold and iron, or gold and copper, or gold and any other commodity: the *price of everything* in England, or wherever there is a gold currency, being its relative value to gold; and in India, or wherever there is a silver currency, its relative value to silver.

Before the great French Revolution at the end of the last century, both England and France had Bi-metallic currencies. The relative proportion of gold to silver were fixed by law in both countries, but in different proportions.

In England the proportion was so fixed that gold in the bullion market was dearer than silver: gold was therefore attracted to England, and silver money of full weight disappeared, as more gold could be obtained for the same weight of silver as bullion than as coined money.

Silver money of full weight was never therefore met with in England during the last century, and if issued from the Mint was exported to be exchanged for gold, and gold became the only metal currency of Great Britain.

In France, on the contrary, the relative value of gold to silver was so fixed that in the bullion market silver was dearer than gold ; silver therefore was attracted to France, and gold, as bullion or as money, was exported to England or elsewhere : and gold coin disappeared from France, and France in fact became, though not by law, possessed of a mono-metallic currency of silver.

At the commencement of the present century, England as well as France had a depreciated forced paper currency.

On the resumption in France of specie payments, France continued to have by law a "Bi-metallic" currency, although her currency had been in fact only a silver currency ; and so it remained until the discovery of gold in California, followed by that in Australia, when the depreciation of gold so reduced the relative values of French standard gold to French standard silver, as to enable gold money to be retained in France ; and silver money became scarce.

The subsequent inflation of the value of gold by the establishment of a gold currency in Germany, Holland, and Scandinavia, and the consequent demonetising of silver, accompanied by the numerous discoveries of silver mines in America, again so altered the relative value of gold to silver that France is in a fair way of again losing her gold money, and of having only silver as a currency.

Gold is rapidly leaving France, as is shown by the diminished amount of gold in the vaults of the Bank of France.

While these changes have been taking place in France, the currency of England has been undisturbed.

England, on the resumption of specie payments in 1816, decided to have a mono-metallic legal tender currency of gold only, with silver token money, legal tender, to the extent of forty shillings only.

One pound troy of such standard silver was then worth

only three sovereigns, but it was divided into 66 shillings. English silver money therefore was intended to be, and is only token money, not a currency of intrinsic value, and probably will always remain so, as a pound troy of standard silver, *as bullion*, is never likely to be worth $\frac{1}{2}$ of a sovereign, or, in the inexact language of commerce, 5/6 the oz. troy.

The English silver money being worth *in coin* in England 5/6 the oz., there is no probability of it being melted up or exported at a profit; English standard silver in the bullion market never having been, in this century, worth more than 5/- the oz. The Bank of England is by law required to receive all geld, in bullion, coins, etc., that may be offered to it, paying for it in bank-notes (which practically is exchanging its weight for weight with sovereigns), and charging only 1½d. per oz. for commission on the transaction.

This arrangement prevents the gold coin of England being melted in England at a profit or from being exported, except for purposes of commerce.

An English sovereign is in fact only a piece of standard gold stamped in the Mint as a guarantee of its quality and weight, and in the Bank of England only exceeds in value in the proportion of three half-pennies per oz. a piece of bullion of the same weight and fineness. Three half-pennies per oz. will not cover the expense of, and loss by, melting.

When gold money is required by the Bank of England, the Bank sends bullion to the Royal Mint, and receives back a similar weight in sovereigns, no charge being made for coining.

It may be taken as a fact that a Bi-metallic currency has been tried both in France and in England without securing the desired circulation of the two metals at the same time

in either country, and that a mono-metallic currency of gold has been in successful operation in England since 1816, and one of silver in India since 1833.

The use of bank-notes, cheques, bills of exchange, etc., all facilitate the commercial transactions of a country, but their acceptance by a creditor is optional. Bank of England notes are, however, legal tender everywhere in England, except in the Banking department of the Bank in London, where payments by the Bank must be made in gold if required, and where all Bank of England notes must be exchanged for gold on demand.

A good paper currency, that can be exchanged for legal tender currency on demand like Bank of England notes, is a great addition to the monetary system of any country, and is in itself a currency and takes the place of hard money in commercial transactions, a very much larger quantity of which would otherwise have to be in circulation.

On a careful consideration of the question of Bi-metallic and mono-metallic currency, it will, I think, be found that the latter is not only the best, but the only possible permanent system: and also that it is of little consequence to a country itself whether its legal tender currency is silver or gold; gold being only more convenient as being less bulky in relation to value.

In 1833, when the present silver currency for all India-under-English-rule was established, the standard for gold and for silver was fixed at 11 parts to 1 (being for silver less fine than the English standard silver—standard gold being similar in both countries), and though the Mints were authorised to coin gold rupees of the same weight as silver-rupees, the silver rupee was made the only legal tender, and the relative value of gold to silver having been fixed at 15 to 1, and the commercial value of gold to silver being:

15½ or 16 to 1, it has never been profitable to coin gold rupees or mohurs.

The mono-metallic silver currency of India has worked without a hitch, having silver as its only legal tender currency has in no way interfered with the internal prosperity of the country.

There could be no outcry about what is called the exchange between India and England, but for the fact, that India has to pay yearly to England nearly two hundred million rupees, to enable the Indian government in England to pay its liabilities.

Officers and civilians on leave in England from India receiving Indian pay in rupees, Indian traders at home deriving their income from India, shareholders in commercial companies, whose dividends accrue in India, contribute to the outcry, as they find a sovereign cannot be obtained for ten rupees; as was the case ten years ago.

The variation of the exchange from silver to gold and *vice-versa*, has some influence on commercial transactions between England and India: but not to the extent supposed by many.

The traders between England and India can take care of themselves, just as well as traders do who trade with other countries having a silver currency, or with countries having irredeemable depreciated paper currency.

Any doctrinaire interference with the relative value of gold to silver, will puzzle traders much more than any fluctuations arising from any variations in the supply and demand of the two metals.

England's course at the Conference is clear, she must adhere to her mono-metal gold legal tender currency for England, and to mono-metallic silver legal tender currency for India.

The requirements for a hard metal currency in India and the neighbouring countries, in many of which the rupee circulates, are so enormous that any disturbance of its present silver currency by introducing a Bi-metallic legal tender currency, or a mono-metallic currency of gold would certainly bring about disastrous results. From whence could the gold required be obtained ?

Gold is not adapted for the currency of so poor a country as India, with no paper currency to speak of; and the population now using the rupee number at least 200 million.

As a mono-metallic legal tender currency has been shown to be the only true system, and that for poor countries a silver currency is as good as a gold one, the Conference will do good service if it can arrange which countries shall have hereafter a gold, and which a silver currency.

The Latin League would be quite as well situated if it adopted a silver currency. Should it adopt a mono-metallic gold currency, with "silver token money," it will be difficult to find the gold required without inflating its value to perhaps a greater extent than when Germany adopted a gold currency.

All the countries of Europe having now an irredeemable and depreciated Paper currency, must sooner or later adopt a hard money currency. Should all adopt silver or all gold, the relative value of gold to silver must be changed more so perhaps than has ever before occurred.

And in considering questions of currency, China, Japan, the rest of Asia, or America and Africa, must not be ignored.

A paper currency in subordination to a metallic currency on demand would be of great use in all countries.

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